



ZONE Outlook

GREATER DETROIT FOREIGN TRADE ZONE, INC.

Vol. 3, Issue 3

Content:

Clients & Community Benefit
from PDC's Zone Status

People In The Know:
Jan Burland

Save the Date

GDFTZ Reaches
20-year Milestone

When Success
Means Having Less

Greater Detroit Foreign Trade Zone Directors:

William J. Adams
Consultant
CHAIRMAN

Martha K. Richardson
Services Marketing Specialists
VICE CHAIR

Eddie R. Munson
KPMG LLP
SECRETARY-TREASURER

Godfrey J. Dillard
Attorney at Law

George W. Jackson, Jr.
Detroit Edison

Martin B. Zimmerman, Ph.D.
Ford Motor Company

Clients & Community Benefit from PDC's Zone Status

When Progressive Distribution Centers (PDC) learned that it could better serve its customers by operating a foreign trade zone, the company quickly moved to seek zone status. No matter that only two of its clients – General Motors and House of Seagram's – might use the zone. The benefits of keeping those two important clients far outweighed the work involved in operating a zone. Thus in 1987, PDC, a division of Evans Distribution Systems, a Detroit-based third party logistics provider of warehousing, transportation, distribution, packaging assembly and fulfillment solutions, became an official operator of FTZ 70 in Detroit. PDC currently operates five facilities – two in Highland Park and three in Detroit. Two of the Detroit locations – a Lynch Road facility and a Joy Road facility, provide FTZ space totaling 215,000 square feet. Both operate as general-purpose zones.

PDC's work for General Motors was the impetus for seeking zone status. In importing auto parts from Europe, GM needed a place to inspect the goods to ensure that its shipments were in order and that the goods adhered to U.S. Customs requirements. Patrick Swaney, Account Manager for PDC explains, "If GM were to attempt to clear the goods through the Port of Detroit without using an FTZ, the cargo could be held up until it complied with Customs orders, such as country of origin labeling and other such requirements. Substantial fines could even be levied against GM if the Customs orders were not met." PDC's FTZ provided the solution.

Once it had earned FTZ designation, PDC found that the House of Seagram's, a Canadian liquor distiller, could also reap the benefits of its zone. Each year, during the Christmas holidays, the House of Seagram's offers its product coupled with two crystal glasses in a special holiday gift set. By importing glassware from overseas, Seagram's could purchase the glasses for half the price of comparable domestically manufactured glassware. Unfortunately, steep import duties and tariffs imposed on the foreign glassware negated any savings Seagram's would realize by buying the glassware abroad. Again PDC's zone provided the solution. "Once we were able to co-mingle the glasses with the liquor at the zone and then present it to Customs, it was viewed as strictly a liquor product," explains Swaney. "The glasses were deemed as having no value and, thereby, were able to enter into the country duty and tax free."

The House of Seagram's was not the only one to gain from this arrangement. Both PDC and the local economy share in the bounty of the zone. To handle assembly of the gift sets each year, from July through November, PDC hires more than 90 people from the community. "It's a great advantage for the local community which benefits from these added jobs. Additionally, it's consistent work and a good source of revenue for our company," says Swaney. It is also yet another example of the far-reaching and wide-ranging advantages of operating an FTZ.



People In The Know

Jan Burland

Occupation: *Managing Director BC/KAL Inland Port Development Corporation and Director of Corporate Projects for Battle Creek Unlimited*

Residence: *Battle Creek*

Hobbies: *Worldwide travel. Most recent trip was to New Brunswick, Canada*

As a young girl, Jan Burland never imagined she would grow up to be the overseer of an FTZ. After all, like most children – and some adults – she had never heard of an FTZ. Burland stepped into the role of managing director of BC/KAL Inland Port Development Corporation, FTZ 45, when she accepted the job of Director of Corporate Projects for Battle Creek Unlimited seven years ago. Her new job description called upon her to administer and market the FTZ. “It was a learning curve,” says Burland, “but I

very much enjoy the challenge.” Today, in addition to a master’s degree in organizational communications, Burland holds a customs broker license, which she earned in 1998.

Located in the Southwest Michigan community of Battle Creek, FTZ 45 is comprised of a general-purpose zone used by several automotive industry suppliers for warehousing purposes, as well as two sub-zones that are occupied by pharmaceutical

manufacturers. Ironically, though Battle Creek – often referred to as “Cereal City” – is home to many of the nation’s leading cereal manufacturers, FTZ 45 has had no involvement with the cereal industry. According to Burland, “We have not had an opportunity for the zone program to be of much benefit to Kellogg, Ralcorp, the Post Division of Kraft General Foods, or any other of the cereal manufacturers.”

That fact notwithstanding, FTZ 45 has undergone tremendous growth since first gaining zone status in 1978. Burland’s efforts to market the zone, through frequent sponsorship of seminars and workshops, have paid off. “We try to maintain a visible and supportive presence in the community for all aspects of international commerce,” she says. But Burland also cites Michigan’s overall market mix, with its vast number of imports and exports for auto suppliers, as a leading reason for the historical success of FTZs statewide.

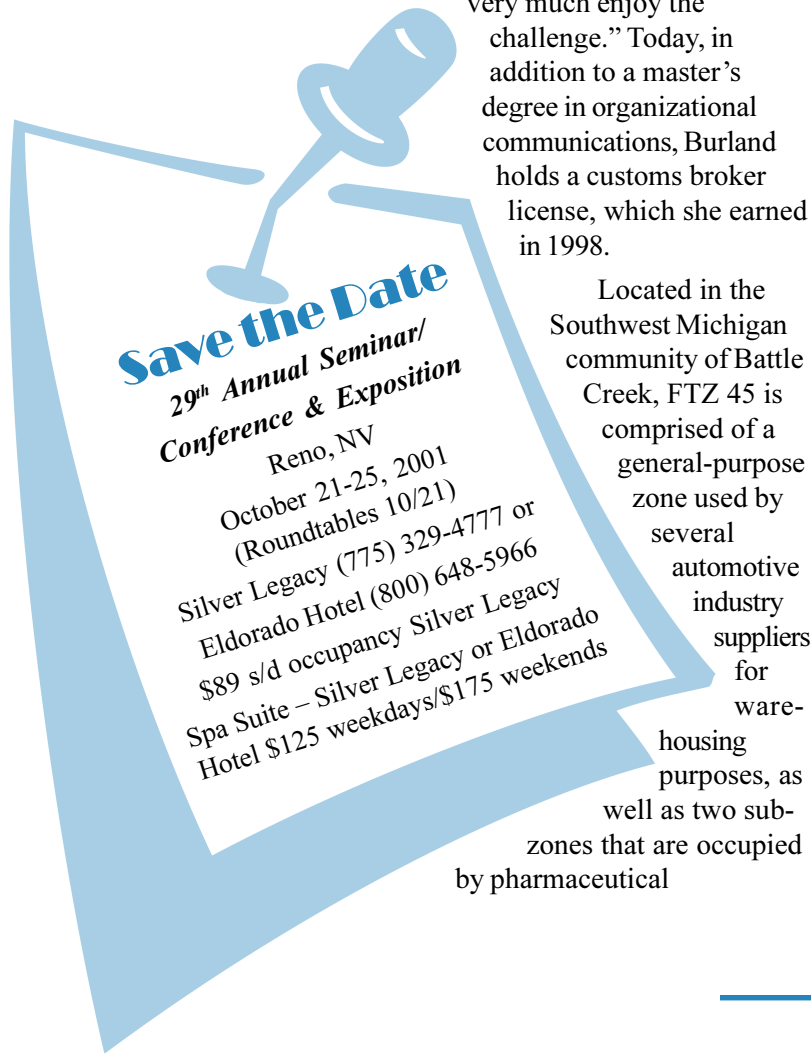
“Quite frankly,” admits Burland, “I thought that with the full implementation of NAFTA we might see the FTZ program die a slow, quiet death. But that has not been the case at all.” She cites the availability of FTZ programs statewide and the port of entry in Battle Creek as two advantages for FTZ programs in Michigan. “Those two tools have helped Southwest Michigan to be a very strong player in global commerce. We import and export to and from everywhere in the world. People here are really in the global mix of industry. I think that’s why we saw the FTZ program become ever more utilized – even after NAFTA.”

Save the Date

**29th Annual Seminar/
Conference & Exposition**
Reno, NV

October 21-25, 2001
(Roundtables 10/21)

Silver Legacy (775) 329-4777 or
Eldorado Hotel (800) 648-5966
\$89 s/d occupancy Silver Legacy
Spa Suite – Silver Legacy or Eldorado
Hotel \$125 weekdays/\$175 weekends



GDFTZ Reaches 20-year Milestone

In the late 1970s, a leading national survey organization – sizing up the local economy in Southeast Michigan – determined that there was no need to create an FTZ in Detroit. Luckily for Detroit area businesses involved in importing and exporting goods, City of Detroit officials and the Detroit Chamber of Commerce (now the Detroit Regional Chamber) thought otherwise. It was the joint efforts of these two groups that eventually resulted in the creation, in 1981, of Greater Detroit Foreign Trade Zone, Inc.

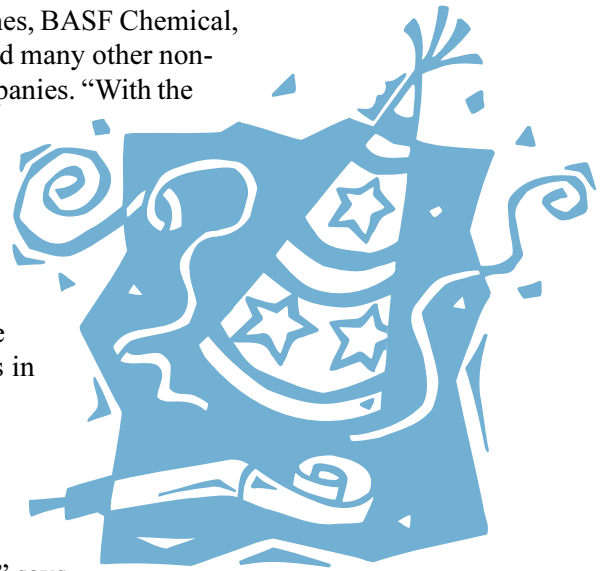
This year, as GDFTZ marks its 20th anniversary, it has the distinction of being the largest zone program in the nation in terms of import and export traffic, and the number of sites it operates – more than a dozen general-purpose, multi-user zones and 21 subzones. Since its inception, local firms have shipped more than \$330 billion in goods from GDFTZ facilities, including exports valued at almost \$20 billion. During this time, the general-purpose zones alone, have received goods valued at more than \$6.5 billion. Companies that have used the GDFTZ to maintain cost competitiveness and reduce their operating expenses include small, independently owned and operated businesses, as well as large, publicly held companies with international operations such as the nation’s leading automotive manufacturers.

It was Ford Motor Company, in fact, that provided the catalyst for the creation of the GDFTZ, recalls William J. Adams, Chairman of the GDFTZ board of directors, and a member of the task force that first petitioned Washington, D.C. to establish the GDFTZ. When Ford contemplated closing its former Romeo, Michigan tractor plant because of the high duties imposed on its tractor components, Adams and his team went into action. “We knew that Ford’s operating costs could be significantly reduced if they could do business in an FTZ,” says Adams. “We saw the need for the zone and recognized that with an FTZ, Ford could cut its operating costs, keep its plant in the U.S.

and preserve the employment of the people who were building tractors in Romeo.”

Though at one time, every major automotive manufacturing facility in Southeast Michigan used the GDFTZ, today – thanks largely to international free-trade agreements such as Auto Pact and NAFTA, which have substantially reduced or virtually eliminated automotive duties – the GDFTZ now boasts a more diverse group of customers that includes Northwest Airlines, BASF Chemical, Marathon Oil and many other non-automotive companies. “With the constant pressure to reduce costs, more and more companies are examining their operations to see if there are ways in which they can retool to be compatible with and realize the advantages of FTZ operations,” says Adams.

Given the proliferation of customs-free trading areas throughout the world, will there ever come a time, as the “experts” in the late 70’s proclaimed, that there will be no need for an FTZ in Detroit or elsewhere? Adams thinks so. “FTZs exist because of Customs duties,” he explains. “Most people have come to believe that the elimination of duties and the free flow of trade are positive things. As a result, eventually there may be no duties, and therefore, no more trade zones.” Until that day becomes a reality, business and industry in Southeast Michigan can continue to look to the GDFTZ to help them control their operating costs and ease the burden of Customs duties and tariffs.





For more info

GDFTZ's Zone Outlook is published quarterly. For additional information or assistance with your trade needs, please contact:

W. Steven Olinek
Director

Greater Detroit
Foreign Trade
Zone, Inc.
8109 East
Jefferson,
Detroit, MI 48214

313/331-3842 *ph*
313/331-5457 *fx*

www.gdftz.com

When Success Means Having Less

from the desk of Steven Olinek, Director

Promoting the benefits of the FTZ program to potential zone users lies at the heart of what we do. Successful strategic planning and effective marketing, as in every other business, eventually lead to more customers. (Or, in our case, more program participants.) Even as a non-profit corporation, our success is measured by how effectively we accomplish this goal. Ultimately, how big we become defines the level of success we have attained. Or does it?

Another measure of a successful FTZ program might be how thoroughly it spreads the gospel of free trade – helping companies eliminate some of the impediments that restrict their ability to trade freely in a global economy. If and when this goal is truly achieved, our useful time as free traders will have expired. The FTZ program may then, be retired. So the question is, are we successful if we become as big as Wal-Mart or if we cease to exist? Should we consider an appropriate exit strategy or plan for growth? Does a paradox actually exist?

With the administration's stated commitment to liberalizing tariffs, as well as the 2000 Annual Trade Agreements Program and the 2001 Trade Policy Agenda, it seems evident that a

hemisphere-wide free trading bloc and liberalized trade with partner nations in other regions of the world will occur. It's just a matter of time.

Even with tariffs in place to protect the U.S. economy as we continue to trade with Japan, the rest of the Pacific Rim and expand trade with China, FTZ use will likely diminish. Barriers to trade will continue to fall. The trend that began with Auto Pact and the Canada-U.S. Free-Trade Agreement, and their evolution into NAFTA will go on. The essential premise of the Foreign-Trade Zones Act, that provided a reason for American companies to participate in world trade in the first place, will have been adopted and spread. Free trade will rule. We'll have done our job and been successful.

Meanwhile, a ringing phone interrupts my musing. I have other thoughts on this matter, but they'll have to wait. I have applications for new zones pending and associations, developers, consultants, businesses and operators to meet with. Besides, it's still a big world. China's potential trade volume with the U.S., alone, could easily exceed the volume we currently trade with Canada and those tariffs aren't going anywhere for a while. Excuse me while I get back to work.

8109 East Jefferson
Detroit, MI 48214

**G R E A T E R D E T R O I T
F O R E I G N T R A D E Z O N E , I N C .**

